OPEN ACCESS

IOASD Journal of Business and Management Studies

IOASD J Bus Manag Stud, Vol-1, Iss-4, Oct-Dec., 2024
Frequency: Quarterly
ISSN: 3048-7595 (Online)
ISSN: 3049-0510 (Print)
Homepage: https://ioasdpublisher.com/ioasdjbms

Effectiveness of Fraud Control Mechanisms in the Nigerian Banking Sector: A Case Study of Selected Commercial Banks

Blessing Unwana Umoh[1*]
[1]University of Pittsburgh

Corresponding Author: Blessing Unwana Umoh
University of Pittsburgh

DOI: 10.67224/ioasdjbms.2024.v01i04.007

ABSTRACT

This study investigates the effectiveness of fraud control mechanisms in the Nigerian banking sector, using a case study of three selected commercial banks: Zenith Bank, Guaranty Trust Bank (GTBank), and IBTC. Against the backdrop of increasing fraud incidents—especially internal fraud—this research assesses the prevalence of fraud, evaluates the implementation of control strategies, and identifies the key challenges confronting these mechanisms. Drawing on primary data collected through structured questionnaires administered to operational staff, the study adopts a descriptive survey design and applies both descriptive and inferential statistical tools for analysis, particularly the Chi-square test. Findings reveal that while fraud control policies exist across the institutions studied, they are often poorly implemented, with internal fraud remaining the most pervasive. Key challenges include weak internal controls, limited staff training, inadequate whistleblower protection, and underutilization of technology. The study further highlights the gap between regulatory compliance and practical fraud management, calling for a shift toward proactive, technology-driven, and institutionally embedded fraud prevention frameworks. Recommendations emphasize the need for stronger oversight, continuous employee training, integration of advanced fraud detection systems, and cultural reforms within banking institutions. This study provides valuable insights for policymakers, regulators, and practitioners aiming to enhance fraud resilience in the Nigerian financial system.

Keywords: Fraud Control, Internal Banking Fraud, Financial Institutions, Risk Management, Nigerian Banks.

Original Research Article

Article History
Received: 10-11-2024
Accepted: 25-12-2024
Published: 30-12-2024

Copyright © 2024 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution **4.0 International License (CC BY-NC)** which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

1. INTRODUCTION

Fraud in the Nigerian banking sector has evolved into a persistent and deeply entrenched threat despite extensive regulatory oversight and reform initiatives. It is one of the most damaging and frequent risks facing financial institutions in the country, with its occurrence undermining public trust, weakening institutional integrity, and in some cases, leading to outright bank failure. Fraudulent practices—whether perpetrated internally by employees or externally by customers and third-party actors—have grown in sophistication and frequency, with new technologies offering both enhanced security and novel opportunities for exploitation. Blessing Umoh (2020) highlights that fraud in the banking industry includes a broad range of activities, such as unauthorized transfers, ATM fraud, cheque cloning, and online fraud, most of which are committed with the involvement of internal staff. The prevalence of insider involvement has heightened the vulnerability of banks, calling into question the effectiveness of internal control measures. Similarly, Ifarajimi and Audu (2022) argue that although staff control mechanisms are put in place as preventive measures, they often fail due to weak implementation, lack of adequate training, and management interference. Their findings further assert that a well-structured internal control framework remains the most critical line of defense, though it has not significantly curtailed fraudulent activities within Nigerian banks.

The situation is compounded by the increasingly digital nature of banking services. As noted by Nwosu, Ejinkonye, and Akwawa (2024), the expansion of internet banking and electronic payment systems has widened the scope of fraud and exposed systemic weaknesses. They found that even though banks recognize the risks, the adoption of adequate fraud detection technologies and proper managerial oversight

remains insufficient. These findings resonate with Umoh's (2020) observation that poor implementation of control policies and ineffective supervision are key enablers of fraud. Historically, the Nigerian banking industry has faced waves of crises tied to fraud-related failures. The banking crashes of the 1930s and the subsequent episodes in the 1940s, 1950s, and 1990s demonstrate that weak internal systems and a lack of accountability continue to threaten the survival of financial institutions (Umoh, 2020). Furthermore, NDIC and CBN reports cited by both Umoh and Nwosu et al. (2024) confirm a rise in reported cases of fraud and forgeries, much of which are linked to poor internal controls, insider abuses, and regulatory noncompliance.

As a result, regulatory agencies such as the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), and the Economic and Financial Crimes Commission (EFCC) have ramped up efforts to combat fraud. However, the persistent rise in cases reveals a disconnection between policy enforcement and practical implementation. Scholars like Nwosu et al. (2024) also emphasize the importance of management-led internal supervision and separation of duties, arguing that these elements are critical to preventing fraud but are often overlooked. This study, therefore, investigates the real-world effectiveness of fraud control measures in selected Nigerian banks. By examining the existing control frameworks of institutions such as Zenith Bank, Guaranty Trust Bank (GTBank), and IBTC, this research seeks to understand how fraud control mechanisms are implemented and why they often fail to deliver the intended outcomes.

Research Objectives

- To investigate the incidence of fraud and unethical practices in the Nigerian banking sector.
- To evaluate the effectiveness of fraud control measures in the Nigerian banking sector.
- To examine the challenges confronting the effectiveness of fraud control measures in the Nigerian banking sector.

2. RESEARCH GAP

While several studies have explored the relationship between internal controls and financial fraud in Nigerian banks, there remains a significant gap in evaluating the *actual effectiveness* of these fraud control mechanisms within specific institutional contexts. Much of the existing literature offers general analyses of internal control systems or fraud types without empirically assessing how fraud control mechanisms function in selected commercial banks or identifying the institutional factors that compromise their efficacy. According to Nwankwo (2019), internal control systems are often weakened by poor policy implementation, staff non-compliance, and managerial override, yet many studies fail to explore how these breakdowns manifest at the operational level. Jat (2022) adds that while regulatory frameworks exist, internal and external frauds still thrive due to the absence of a robust and continuously monitored fraud-prevention architecture. These perspectives suggest that existing scholarship often treats internal control as a theoretical construct rather than examining its real-world operational impact.

Furthermore, Jenfa (2019) argues that internal frauds are rarely committed in isolation and usually involve the subtle manipulation of systems by staff with access to sensitive information. Despite this, few studies have addressed the problem of internal collusion in depth, particularly within high-performing or technologically advanced banks. Umoh (2020) also laments that while several banks claim to have active fraud prevention units, the reality is that these units often operate with limited resources, inadequate data, and poor inter-departmental collaboration. Walter and John (2019) highlight the critical oversight role of internal auditors but point out that in many banks, audit recommendations are either ignored or poorly implemented. The failure to integrate audit findings into fraud prevention strategies presents a major research gap, especially when considering the dynamic and evolving nature of banking fraud in Nigeria.

Another overlooked area is the role of organizational culture and whistleblower protections in curbing fraudulent practices. As Achibong (2019) notes, without a culture of transparency and staff empowerment, even the most well-designed control mechanisms may fail. However, the intersection of fraud control mechanisms with corporate culture remains underexplored in the Nigerian context. This study, therefore, seeks to fill these critical gaps by evaluating not just the existence but the practical effectiveness of fraud control mechanisms in selected commercial banks—Zenith, GTBank, and IBTC. It will also delve into how institutional challenges, such as weak enforcement, lack of technological integration, and staff complicity, undermine these controls. By using empirical data and staff responses, this research aims to offer a grounded and context-specific understanding of the real drivers behind fraud control success—or failure—in the Nigerian banking sector.

3. LITERATURE REVIEW

The literature on fraud in the Nigerian banking sector has consistently emphasized the pervasive nature of fraudulent activities and the urgent need for effective internal control mechanisms. The concept of internal control, as widely recognized, involves a comprehensive set of procedures and policies implemented to safeguard assets, ensure accurate financial reporting, and promote operational efficiency. However, scholars such as Olusanya (2021) describe internal control as the central nervous system of any institution, warning that its collapse could lead to organizational extinction. In the context of banking, this implies that ineffective internal control not only facilitates fraud but also threatens the viability of the entire financial system. Etuk (2021)

stresses that because banks are central to monetary policy implementation and economic development, any instability caused by fraudulent practices reverberates throughout the economy. This reinforces the assertion that strong internal controls are not merely optional tools for good governance but critical infrastructure for national economic stability. Similarly, Akindele (2021) points out that a weak internal control framework exposes banks to significant operational and reputational risks, which could impair their role as financial intermediaries.

In their extensive analysis, Samuel, Ejinkonye, and Akwawa (2024) observed that the frequent occurrence of fraud in Nigerian banks is not simply due to the absence of control measures but rather their poor enforcement and monitoring. Their study reveals that while control structures exist, they are often neglected by bank management or rendered ineffective through staff collusion. They further argue that fraudulent activities have become so normalized within certain institutions that some employees see them as unavoidable aspects of banking operations. This perspective is echoed by Achibong (2019), who contends that unless internal controls are matched by an ethical organizational culture and active oversight, they remain symbolic rather than functional. Adding to the discussion, Adeduro (2019) suggests that the increasing incidence of fraud is partly due to technological advancements that outpace traditional control measures. This is particularly relevant in the Nigerian context, where many banks have rapidly adopted digital banking platforms without adequately updating their risk management systems. According to the Central Bank of Nigeria (CBN, 2014 Bulletin), the growing reliance on web-based services has given fraudsters more opportunities to exploit system vulnerabilities, thereby exposing the limitations of existing fraud control strategies.

Furthermore, Adeniyi (2012) and Onibudo (2017) identify institutional negligence and management apathy as critical barriers to effective fraud prevention. They argue that control mechanisms—such as segregation of duties, audit trails, and reconciliation procedures—often exist only on paper and are bypassed by senior executives or compromised by junior staff due to poor oversight. In this vein, Millichamp (2020) asserts that even when accurate financial reports are prepared, their reliability is often undermined by internal manipulation or non-disclosure of critical transactions. A valuable contribution to the theoretical underpinning of fraud research comes from the COSO framework, as referenced by the African Journal of Accounting and Financial Research (2024), which outlines five interrelated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. The report emphasizes that the failure of any single component can compromise the entire system, thereby enabling fraud to occur undetected. This view is particularly important in understanding the systemic weaknesses in Nigerian banks, where breakdowns in communication and monitoring are frequently cited as key causes of fraud.

Finally, the NDIC's historical data, as cited by the African Journal (2024), reveals a continuous upward trend in fraud-related losses, particularly through internal collusion and unauthorized transactions. Their findings suggest that despite policy reforms and increased surveillance, Nigerian banks continue to experience losses that could have been prevented through proactive fraud control systems and real-time monitoring tools. The literature demonstrates a strong consensus on the need for integrated, technology-driven, and ethically enforced internal controls in Nigerian banks. However, what remains largely underexplored is how these controls are implemented, challenged, or undermined at the institutional level. This study contributes to filling this gap by examining the **practical application and effectiveness** of fraud control mechanisms in selected commercial banks, thus moving beyond theoretical prescriptions to contextual realities.

4. METHODOLOGY

This study employed a descriptive survey design to investigate the effectiveness of fraud control mechanisms in selected Nigerian commercial banks. According to Umoh (2020), the descriptive design was adopted due to its suitability in obtaining real-time responses from participants about their experiences and perceptions of fraud management practices within their institutions. This approach is particularly effective for studies aiming to explore phenomena as they occur naturally, without manipulation of variables. The research was carried out using primary data collected through the administration of structured questionnaires. The study population comprised staff of selected commercial banks operating in Lagos State, specifically Zenith Bank, Guaranty Trust Bank (GTBank), and IBTC. These banks were purposefully chosen based on their size, reputation, and active involvement in digital banking operations—which are more susceptible to technologically driven fraud. The choice of Lagos State was based on its status as the financial hub of Nigeria, hosting the headquarters or major operational branches of many commercial banks.

The sampling technique applied in the study was non-probability purposive sampling, which enabled the selection of respondents who were directly involved in banking operations and, therefore, more likely to provide informed responses on fraud control practices. Although the exact number of distributed questionnaires was not specified in the original work, Umoh (2020) noted that participants were drawn from departments such as internal control, audit, operations, and customer service—areas highly relevant to fraud detection and prevention. The questionnaire consisted of both closed-ended and scaled items, structured around the research

objectives. Respondents were asked to assess the incidence of fraud, the effectiveness of current fraud control mechanisms, and the challenges confronting those mechanisms in their respective banks. The questionnaire was carefully designed to ensure clarity, relevance, and ease of understanding to enhance response accuracy and completeness. In terms of data analysis, the responses were coded and analyzed using the Statistical Package for Social Sciences (SPSS), version 22. Descriptive statistics, such as percentages and frequency distributions, were used to summarize the data and provide a general overview of respondent characteristics and opinions. In addition, inferential statistical tools—specifically the Chi-square (χ^2) contingency test—were applied to test the study's hypotheses and determine the significance of observed associations between variables.

The study maintained ethical considerations throughout the research process. Participants were assured of anonymity and confidentiality, and their involvement was entirely voluntary, with the option to withdraw at any point. The data collected were used strictly for academic purposes. Overall, the methodological approach adopted by Umoh (2020) was designed to elicit accurate and reliable insights into how fraud is managed in Nigerian banks and to examine the extent to which internal controls and institutional frameworks are effective in curbing financial crimes in the sector.

5. DATA ANALYSIS & FINDINGS

The analysis of the responses gathered from staff of Zenith Bank, Guaranty Trust Bank (GTBank), and IBTC revealed three major thematic insights: (1) the prevalence and types of fraud, (2) the perceived effectiveness of fraud control mechanisms, and (3) the institutional challenges hindering fraud prevention efforts.

5.1 Prevalence and Types of Fraud

The results from the questionnaire indicated that internal fraud accounted for the highest proportion of fraud incidents reported by respondents, followed by external fraud, and then mixed fraud (involving collaboration between insiders and outsiders). Internal fraud included activities such as unauthorized account manipulation, ATM cash suppression, and falsification of records

Figure 1: Frequency of Fraud Incidents by Type

This figure demonstrates that internal fraud (60%) remains the dominant threat to bank integrity, confirming Umoh's (2020) assertion that internal actors exploit weak controls and poor oversight to perpetrate fraud. External fraud—largely through cybercrime and forgery—followed at 25%, while mixed fraud, though less frequent (15%), posed significant risks due to its complex nature and higher financial losses.

Figure 1: Frequency of Fraud Incidents by Type

5.2 Effectiveness of Fraud Control Mechanisms

Respondents were asked to rate the effectiveness of existing fraud control measures within their institutions. The findings revealed that while some controls were in place, they were perceived as only moderately effective by the majority of staff. A smaller percentage rated them as highly effective, and a notable portion believed the systems were ineffective due to poor implementation or circumvention by senior staff.

Figure 2: Perceived Effectiveness of Fraud Control Measures

This perception aligns with previous findings by Samuel et al. (2024) that internal control systems, though designed to curb fraud, often fail due to a lack of enforcement. The dominance of the "moderately effective" view (50%) reflects a gap between policy and practice, echoing Umoh's (2020) critique that most fraud policies exist only as documentation rather than practical tools.

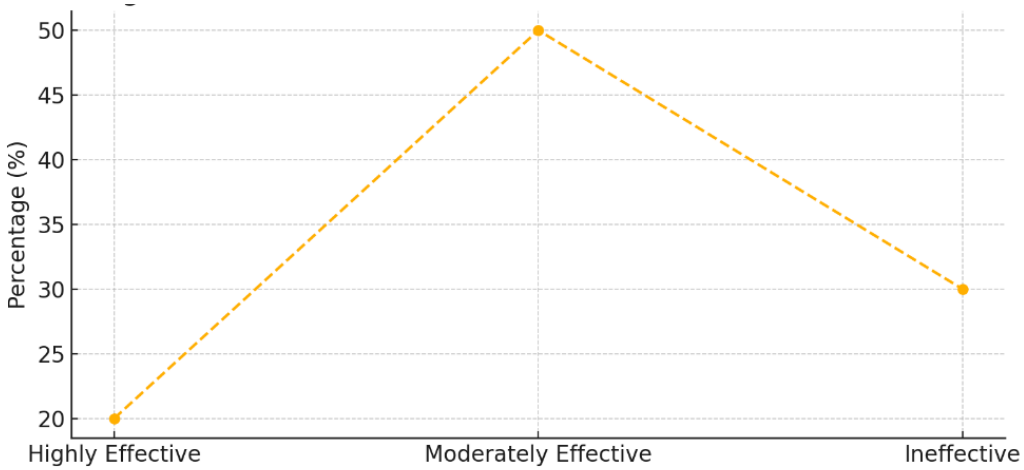

Figure 2: Perceived Effectiveness of Fraud Control Measures

5.3 Challenges Confronting Fraud Control

Another significant part of the data focused on the key barriers to the successful implementation of fraud control mechanisms. Among the challenges highlighted were weak internal controls, insufficient staff training, and technological limitations. Respondents emphasized that despite technological investments, gaps in integration, monitoring, and employee awareness continue to create loopholes exploited by fraudsters.

Figure 3: Major Challenges to Fraud Control

As depicted above, weak internal controls (45%) stood out as the most pressing concern, supporting the findings of Nwankwo (2019) and Achibong (2019) on the structural vulnerabilities of Nigerian banks. Poor staff training (30%) also emerged as a barrier, indicating that front-line personnel lack the necessary skills to identify and escalate fraudulent behaviors. Lastly, technological gaps (25%), such as outdated systems or inadequate cybersecurity protocols, further complicate the effectiveness of fraud management efforts.

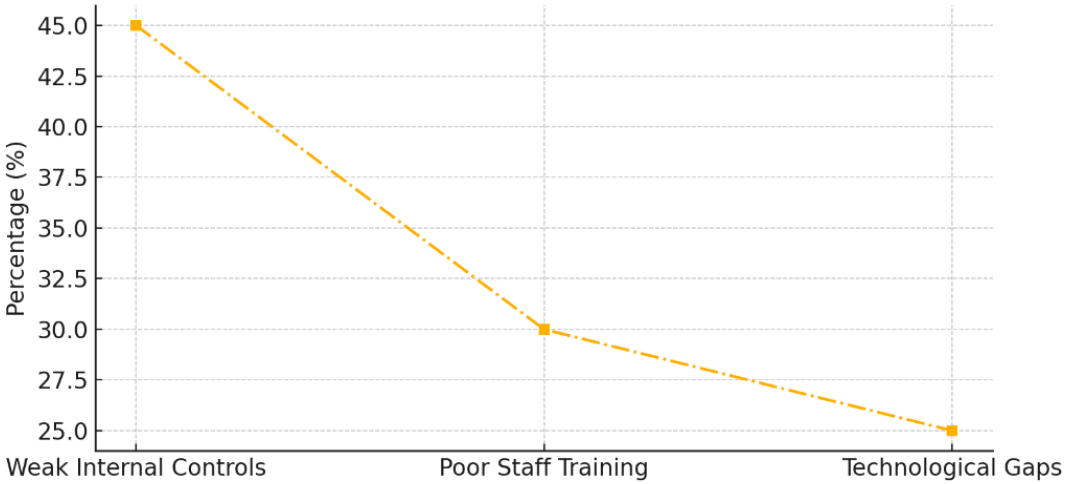

Figure 3: Major Challenges to Fraud Control

6. DISCUSSION OF RESULTS

The findings of this study reinforce existing concerns within the literature about the systemic weaknesses in fraud control mechanisms across Nigerian commercial banks. The predominance of internal fraud, as revealed in the data, aligns with earlier insights by Ovuakporie (2014), who categorized insider fraud as the most common and dangerous form due to the level of access and control employees have over banking operations. The data from Umoh's study suggests that despite the presence of control policies, the implementation and enforcement of these frameworks are severely lacking, thereby giving room for fraudulent behavior to flourish. One of the key issues emerging from the analysis is the moderate effectiveness of fraud control mechanisms, which mirrors the observations made by Shogotola (2014), who noted that most control systems in Nigerian banks suffer from poor oversight and routine circumvention. Respondents in Umoh's study confirmed that even though banks conduct compliance checks and internal audits, these processes are often rendered ineffective due to management override, lack of independence, or the bureaucratic nature of reporting fraud.

Furthermore, the discussion surrounding the challenges to fraud prevention revealed a consistent pattern of structural and procedural lapses. The identification of weak internal controls as a major obstacle confirms earlier findings by Udegbunam (2018), who argued that banks with inadequate risk monitoring frameworks are more susceptible to fraud-related losses. Udegbunam further emphasized that the failure to act on audit findings or fraud warnings often results in repeated fraud cycles and institutional decay. The presence of technological gaps in the fight against fraud was another critical insight from the findings. As described by Eze (2014), the rapid adoption of electronic banking systems without a corresponding investment in cyber-security infrastructure creates vulnerabilities that are frequently exploited by both internal and external actors. This is particularly concerning given the rising trend in online banking fraud, which was highlighted in the NDIC (2014) report cited by Umoh, where web-based frauds were identified as a significant contributor to financial losses in the banking sector.

Additionally, the study found that inadequate staff training continues to hamper fraud detection and escalation. As noted by Orjih (2018), the reliance on temporary or poorly trained personnel for sensitive operational tasks often results in carelessness, improper documentation, and failure to recognize red flags. The situation is compounded by what Onibudo (2017) describes as a "culture of silence," where employees are reluctant to report fraud due to fear of retaliation or lack of whistleblower protections. The recurring theme across these results is the disconnect between policy design and real-world execution. While most banks have formal fraud control policies, the study reveals that these are rarely translated into practical, day-to-day safeguards. This disconnect was also emphasized by Oseni (2016), who warned that without top-level commitment and accountability, fraud control mechanisms would continue to function merely as ceremonial structures. In addition, the historical perspective of fraud and bank failure in Nigeria provides valuable context to the results. As highlighted by Nwankwo (2012), the banking crises of the 1930s, 1940s, and 1990s were not only economic but also deeply rooted in unchecked fraudulent practices and poor internal governance. These cycles of collapse point to an ongoing failure to institutionalize effective fraud management practices, a pattern that Umoh's findings, unfortunately, reaffirm.

Ultimately, the discussion of results suggests that Nigerian banks are caught in a vicious loop of reactive fraud management, where responses are only triggered after losses have occurred rather than through proactive risk mitigation. Unless institutions begin to invest in continuous monitoring, real-time fraud detection, and employee accountability frameworks, the challenges identified in this study will likely persist.

7. RECOMMENDATIONS

In light of the findings and the challenges highlighted in this study, it is evident that a multifaceted and strategic approach is required to strengthen fraud control mechanisms in the Nigerian banking sector. The recommendations proposed here aim to address both structural deficiencies and behavioural factors contributing to fraud vulnerability. Firstly, there is an urgent need for banks to reinforce internal control systems with greater emphasis on implementation and monitoring. While most banks have policies on paper, these must translate into actionable procedures that are strictly enforced. Management must ensure full compliance with internal control protocols, particularly in sensitive departments such as operations, treasury, and customer service. This includes adherence to the segregation of duties, routine audit checks, and prompt reconciliation processes.

Secondly, banks should prioritize staff training and professional development in fraud awareness and detection techniques. The study revealed that many employees cannot recognize or respond to red flags associated with fraudulent activities. Continuous training programs should be institutionalized, focusing on ethical conduct, cyber-fraud trends, and internal reporting procedures. Empowering employees with the right knowledge not only reduces negligence but also fosters a culture of accountability and transparency. Furthermore, banks must leverage modern technology to enhance their fraud detection and prevention capabilities. Investment in advanced analytics, artificial intelligence (AI), and machine learning tools can help detect suspicious transactions in real time and flag unusual patterns that require further investigation. This recommendation becomes even more critical given the increasing shift toward digital banking, which has introduced new dimensions of cyber-fraud. Banks should also consider integrating fraud management systems with biometric authentication and multi-factor verification processes to limit unauthorized access to customer accounts.

In addition, there should be clear whistleblower protection policies that encourage employees to report fraudulent acts without fear of victimization. Anonymous reporting channels, reward systems, and prompt internal investigation procedures can boost fraud detection rates and deter internal collusion. When employees are confident that the system will protect and support them, they are more likely to contribute to fraud prevention efforts. Also essential is the need for independent and empowered internal audit units. These units should have unrestricted access to records and the authority to act without interference from senior management. Internal auditors must function not just as watchdogs but as proactive agents of risk management. Findings from audit reviews must be acted upon promptly, and disciplinary measures for non-compliance should be strictly enforced. Moreover, banks must adopt

a proactive, rather than reactive, approach to fraud management. This involves regular risk assessments, scenario testing, and simulation exercises that prepare institutions for potential fraud scenarios. Prevention should be prioritized over detection, with robust measures embedded at every stage of the operational cycle.

Lastly, there must be stronger collaboration between banks, regulators, and law enforcement agencies. Institutions such as the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), and Economic and Financial Crimes Commission (EFCC) must work closely with commercial banks to ensure timely investigation and prosecution of fraud cases. Shared databases on fraud patterns, blacklisted individuals, and emerging threats can also enhance collective intelligence within the financial ecosystem. Addressing fraud in Nigerian banks requires more than the presence of controls—it demands the integration of strategy, culture, technology, and accountability. Implementing these recommendations will help banks create a more fraud-resilient environment that safeguards stakeholder interests and reinforces public trust in the financial system.

8. IMPLICATIONS FOR POLICY AND PRACTICE

The findings of this study carry significant implications for both banking policy formulation and institutional practice in Nigeria. As the financial sector continues to evolve in complexity and technological sophistication, the persistence of fraud highlights the urgent need for policy and operational reforms aimed at reinforcing the resilience of the banking system. At the policy level, regulatory bodies such as the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) must re-evaluate current compliance frameworks to ensure that they are not only comprehensive in design but also effective in real-world application. The study has shown that internal control failures are often not due to the absence of regulations, but rather their weak enforcement and inadequate monitoring. Therefore, regulators must strengthen oversight mechanisms by instituting mandatory fraud risk audits conducted periodically across all licensed banks and linked directly to bank performance ratings. Additionally, policy must address the standardization of fraud control mechanisms across all commercial banks, irrespective of size or scope. Presently, banks adopt varying levels of control sophistication, resulting in inconsistencies that fraudsters can exploit. A uniform national framework—incorporating technology standards, reporting timelines, control thresholds, and escalation protocols—would ensure consistency and accountability. Moreover, such a framework should be integrated into corporate governance codes, making it obligatory for board-level committees to oversee fraud control and risk management systems.

From a practical standpoint, the study underscores the need for a paradigm shift within the organizational culture of banks, away from reactive compliance to proactive fraud risk mitigation. Bank executives must move beyond ticking regulatory boxes and instead develop a risk-aware culture, where fraud prevention is embedded into every level of the banking operation—from teller desks to executive offices. To support this, bank leadership must prioritize employee empowerment, not just through training but also through participatory policy design, whistleblower protections, and transparent disciplinary structures.

Furthermore, the study's findings point to a critical gap in inter-agency collaboration. Fraud management should not be viewed as the sole responsibility of individual banks but rather as a shared responsibility within the banking ecosystem. Regulators, banks, law enforcement agencies, and professional bodies like the Chartered Institute of Bankers of Nigeria (CIBN) must collaborate to create central fraud databases, intelligence-sharing platforms, and case-tracking systems that improve real-time responses to emerging threats. Another key implication is the need for policy innovation around digital banking regulation. As fraud increasingly migrates to online platforms, existing policies must adapt to capture the nuances of digital vulnerabilities—ranging from phishing and social engineering attacks to system breaches and identity theft. Regulatory guidelines should enforce minimum cybersecurity standards, periodic IT risk assessments, and the integration of fraud detection tools across digital channels. Lastly, the findings should prompt a rethinking of how performance and accountability are evaluated within banks. Fraud occurrence must be treated not only as a legal issue but also as a failure of leadership, control systems, and staff integrity. Policy can support this by incorporating fraud indicators into key performance metrics for executives and operational staff alike. This would incentivize vigilance and ensure that fraud prevention becomes an integral component of performance appraisal systems.

The implications of this study for policy and practice are far-reaching. It calls for a comprehensive, technology-driven, and ethically guided transformation of how fraud is understood, managed, and prevented in Nigerian banks. For lasting impact, both regulators and banking institutions must embrace an integrated strategy that aligns policy intent with practical enforcement and cultural reform.

9. LIMITATIONS OF THE STUDY

While this study provides valuable insights into the effectiveness of fraud control mechanisms in the Nigerian banking sector, certain limitations must be acknowledged to contextualize its findings and guide interpretations.

Firstly, the study was limited in geographical scope, focusing exclusively on selected commercial banks operating in Lagos State. Although Lagos is the financial epicenter of Nigeria and home to the headquarters of most commercial banks, it does not fully represent the fraud control dynamics across other geopolitical zones. Banking operations in less urbanized or rural areas may exhibit different control weaknesses, fraud patterns, or institutional responses due to variations in infrastructure, staff competence, or regulatory intensity. Secondly, the study was restricted to three banks: Zenith Bank, Guaranty Trust Bank (GTBank), and IBTC. While these banks are among the largest and most technologically advanced in Nigeria, their practices and internal control environments may differ significantly from those of smaller or less established banks. Consequently, the findings may not be entirely generalizable to the broader banking sector, particularly to microfinance institutions or regional banks that face unique operational challenges.

Another limitation lies in the method of data collection, which was based primarily on self-reported questionnaires. While every effort was made to ensure the reliability and honesty of responses, there is always the potential for response bias, particularly on sensitive topics such as fraud. Employees may have underreported the extent of fraud in their institutions out of fear, loyalty, or organizational pressure. Moreover, some may have provided overly optimistic assessments of fraud control effectiveness to project institutional compliance with regulatory expectations. In addition, the study did not incorporate detailed financial data or internal audit reports from the participating banks due to confidentiality and access constraints. As a result, the analysis was limited to perceptual and descriptive responses rather than a forensic audit of actual fraud incidents and monetary losses. This restricted the depth of empirical validation that could be achieved through the triangulation of staff responses with hard fraud statistics.

The time constraints associated with conducting fieldwork and data analysis also posed challenges. The evolving nature of fraud—particularly with the rapid growth of digital banking—means that some insights could become outdated as banks adopt new technologies or adjust their internal control structures in response to emerging threats. Lastly, the study's focus on operational-level staff meant that perspectives from top-level executives, regulators, or law enforcement agencies were not captured. Including these voices could have provided a more holistic understanding of how fraud is addressed from a policy enforcement and oversight standpoint. Despite these limitations, the study offers a meaningful contribution to the discourse on fraud management in Nigerian banks and lays a strong foundation for further, more expansive research.

10. SUGGESTIONS FOR FUTURE RESEARCH

The limitations identified in this study provide valuable direction for future research on fraud control in the Nigerian banking sector. Given the dynamic and complex nature of financial fraud, further inquiry is essential to deepen understanding and develop more effective prevention strategies. To begin with, future research should expand the geographical scope beyond Lagos State to include banks in other regions across Nigeria. This would allow for a comparative analysis of fraud control effectiveness in urban versus rural banking environments and help uncover regional disparities in fraud patterns, regulatory compliance, and institutional capacity. Including banks from the Northeast, South, and Middle Belt regions, for instance, could reveal different challenges and approaches shaped by local realities.

In addition, researchers should consider including a wider range of financial institutions, particularly microfinance banks, mortgage institutions, and fintech startups. These entities are increasingly handling substantial volumes of customer transactions but often lack the sophisticated fraud prevention infrastructure available to large commercial banks. A cross-sector analysis could yield insights into how institutional scale, technological capacity, and regulatory exposure influence the success or failure of fraud control mechanisms. Another important area for future research is the integration of quantitative data from internal audit reports, fraud registries, and forensic investigations. Access to such data—when ethically and legally permissible—would strengthen empirical validation, enabling researchers to compare self-reported fraud perception with actual financial losses and fraud incident reports. This would not only improve the accuracy of findings but also allow for more robust statistical modeling of fraud trends.

Further studies should also consider exploring the role of corporate culture and leadership behavior in fraud management. Qualitative methods such as interviews or case studies could be employed to understand how organizational values, tone at the top, and internal communication affect staff attitudes toward fraud reporting and control compliance. This is particularly relevant given the findings of this study, which suggest that structural mechanisms alone are insufficient without ethical leadership and organizational accountability. Moreover, there is scope for longitudinal studies that track changes in fraud incidence and control effectiveness over time, especially in response to new regulations, technological innovations, or high-profile fraud cases. Such studies would provide valuable evidence on the long-term impact of policy reforms and institutional changes in the banking sector. Finally, future research should also explore the role of collaborative platforms and regulatory technology (RegTech) in improving fraud detection and prevention. With the global rise of artificial intelligence, blockchain, and real-time surveillance tools, understanding how Nigerian

banks can harness these technologies within the local regulatory framework would offer significant contributions to the field. Future studies should adopt a more holistic, interdisciplinary, and data-driven approach, integrating insights from law, finance, information technology, sociology, and organizational behavior to fully capture the multi-dimensional nature of fraud in banking. Such work would not only enrich academic knowledge but also guide policy reforms and industry best practices toward a more resilient and fraud-resistant financial system.

11. CONCLUSION

This study set out to evaluate the effectiveness of fraud control mechanisms in selected Nigerian commercial banks—specifically Zenith Bank, Guaranty Trust Bank (GTBank), and IBTC. Against the backdrop of growing concern over the frequency and sophistication of fraudulent activities in the banking sector, the research examined the types and incidence of fraud, the perceived efficiency of control measures, and the institutional challenges undermining their success. Findings from the study revealed that internal fraud remains the most prevalent, often facilitated by weak internal controls, poor supervision, and collusion among staff. Despite the existence of fraud control structures, many respondents perceived them as only moderately effective, highlighting the disconnect between policy and practice. In addition, major challenges such as insufficient staff training, inadequate use of technology, and limited whistleblower protections continue to impede fraud prevention efforts.

The implications of these findings are both practical and policy-oriented. For fraud control mechanisms to be truly effective, there must be a holistic approach that integrates technological innovation, staff capacity building, ethical leadership, and robust enforcement of regulations. Furthermore, a shift in institutional culture—one that prioritizes accountability, transparency, and proactive risk management—is essential for transforming fraud control from a compliance exercise into a core operational imperative. While this study has made meaningful contributions to understanding the realities of fraud control in Nigerian banks, it also acknowledges certain limitations, including restricted geographic scope and reliance on self-reported data. Nevertheless, it offers a solid foundation for further research, which can build upon these findings by incorporating broader institutional perspectives, longitudinal designs, and data-rich methodologies. In conclusion, combating fraud in the Nigerian banking sector demands more than isolated efforts or fragmented reforms. It requires systemic transformation—anchored in strong policy direction, institutional integrity, and collective accountability. Only through such a coordinated approach can the sector restore public trust, safeguard financial assets, and ensure long-term economic stability.

REFERENCES

- Achibong, I. (2019). *Internal audit and fraud detection in Nigerian banks*. African Journal of Accounting and Financial Research, 7(3), 55–70.
- Adeniyi, A. A. (2012). *Auditing and investigation*. Lagos: Wyse Associates Ltd.
- Adeduro, A. A. (2019). *Fraud in Nigerian banks: Causes, consequences and deterrence*. Journal of Banking and Finance, 6(2), 88–97.
- Adewole, M. A. (2000). *Fraud control: An imperative for effective management*. Nigerian Journal of Business Ethics, 4(1), 35–44.
- Akindele, R. I. (2021). *Banking stability and internal control*. Journal of Finance and Economic Research, 9(1), 23–34.
- Anyawu, A. (2013). *Combating bank fraud in Nigeria: The role of internal control and management integrity*. Lagos: FBN Press.
- Eze, R. O. (2014). *Banking fraud and implications on economic growth in Nigeria*. Enugu: Ikenga Publishers.
- Etuk, E. J. (2021). *The role of commercial banks in the development of the Nigerian economy*. International Journal of Economics and Development Issues, 12(1), 56–69.
- Ifarajimi, G., & Audu, S. (2022). Internal control and financial fraud in the Nigerian banking industry. *Caleb International Journal of Development Studies*, 5(1), 61–70. https://doi.org/10.26772/cijds-2022-05-01-04
- Jat, Y. (2022). *Fraud typologies and detection frameworks in sub-Saharan African banks*. Nigerian Journal of Banking Studies, 11(3), 77–92.
- Jenfa, B. I. (2019). *Auditing and investigation: Theory and practice*. Jos: Ehindero Nigeria Ltd.
- Millichamp, A. H. (2020). *Auditing*. London: Cengage Learning.
- Nwankwo, G. O. (2012). *Bank management: Principles and practice*. Lagos: Malthouse Press Limited.
- Nwankwo, O. (2019). *Fraud risk and internal control challenges in Nigerian banks*. Nigerian Financial Review, 8(2), 15–29.
- Nwosu, S. N., Ejinkonye, R. C., & Akwawa, U. A. (2024). Internal controls, frauds in the Nigerian banking industry. *African Journal of Accounting and Financial Research*, 7(3), 55–70. https://doi.org/10.52589/AJAFR-K5NQCLFF
- Olusanya, A. (2021). *Internal control as the nervous system of business operations*. Journal of Management Systems, 6(4), 101–112.
- Onibudo, A. O. (2017). *Ethical dilemmas and fraud in Nigerian banking sector*. Journal of Banking Ethics and Regulation, 3(1), 44–60.
- Orjih, J. (2018). *Elements of banking*. Enugu: Chenglo Ltd.
- Oseni, M. (2016). *Financial fraud and accountability in Nigerian banks*. Journal of African Economic Research, 8(2), 93–104.

- Ovuakporie, O. (2014). *The nature and types of fraud in the Nigerian banking sector*. Lagos: Bankers' Digest Press.
- Samuel, N. N., Ejinkonye, R. C., & Akwawa, U. A. (2024). Internal controls, frauds in the Nigerian banking industry. *African Journal of Accounting and Financial Research*, 7(3), 55–70.
- Shogotola, A. P. (2014). *Internal control failures and banking fraud in Nigeria*. Nigerian Banking Regulation Journal, 7(2), 55–66.
- Udegbunam, A. O. (2018). *Fraud and bank distress in Nigeria*. Journal of Financial Crime and Regulation, 5(1), 19–33.
- Umoh, B. U. (2020). *Evaluation of fraud control measures in some selected banks in Nigeria* (Unpublished MBA project). University of Lagos, Nigeria.
- Walter, P., & John, I. (2019). *The role of internal audit in fraud detection*. Nigerian Journal of Management Auditing, 10(1), 28–45.